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C O N F I D E N T I A L SECTION 01 OF 05 SHANGHAI 007140

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E.O. 12958: DECL: X1 MANUAL REVIEW

TAGS: PGOV PINR EINV ECON CH

SUBJECT: WENLING PUSHING THE BOUNDARY OF POLITICAL REFORM

REF: A) SHANGHAI 7139; B) SHANGHAI 6460; C) BEIJING 24346, SHANGHAI 7137

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CLASSIFIED BY: Veomayoury Baccam, Acting Policital/Economic  
Section Chief, U.S. Consulate, Shanghai, Department of State.

REASON: 1.4 (b), (c), (d)

¶1. (C) Summary: Riding on the coattails of the successes with "democratic consultative meetings (minkenhui) and participatory democracy reforms in other townships, Wenling municipality in Zhejiang Province has moved forward and implemented further reforms in the township of Xinhe, which put the entire budget under scrutiny and, in a rare move, empowered the local legislature with real budgetary authority. While this move toward "legislative democracy" had earned praise from some top leaders, efforts at strengthening legislative democracy through electoral reforms in Luoheng Township have stalled. However, some of the organizers of the Luoheng reforms are working with officials in Yunnan Province's Honghe to implement similar reforms. Support for these reforms has been mixed, with National People's Congress Chairman Wu Bangguo reportedly cracking down on budget reforms that strengthened legislative authority over the government. Moreover, with a recent reshuffling of party leadership, some localities have grown at least temporarily skittish about pushing the envelope on political reform. Nevertheless, reformers remained committed to moving democratic change forward in Wenling and elsewhere. This is the second of two cables about political experimentation in Wenling. The first addressed Wenling's experiments with consultative democracy. End summary.

¶2. (C) Poloff traveled on October 6 to Wenling, an administrative region under Zhejiang Province's Taizhou City to meet with Chen Yiming, Head of the Wenling Municipal Propaganda Department's Theory Office, Deputy Director of the Wenling Municipal People's Democratic Consultation Work Office, and author of Wenling's political experimentation. Poloff also met on June 21 and 22, October 25, and December 5 and 20 with Shanghai Municipal People's Congress researcher Zhou Meiyuan; Beijing-based democracy advocate and World China Institute President Li Fan accompanied Zhou on June 22. Both Zhou and Li have been advising Chen on his reform efforts and have been promoting Chen's experiments within Shanghai and national-level political circles. Li and his China and the World Institute

have received money through the Mission's small grant program to help fund the Wenling experiments. Zhou also forwarded Poloff the summary of a May 13-14 2006 "Workshop on the Legislature, Budget Supervision, and Public Finance," hosted jointly by the China University of Politics and Law, Peking University, and Yale Law School that primarily discussed the Wenling experiments.

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Xinhe: The Next Stage in Democratic Budget Reform  
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¶13. (C) Chen said that with the successful implementation of the Zeguo budget reform experiment in 2005 (Ref A), he wanted to push the envelope further and had begun designing a modified version of budget review for Wenling's Xinhe Township with the cooperation of Xinhe Party Secretary Jin Liangmin. Unlike Zeguo, where the minkenhui examined a small part of the budget, Chen put the entire budget under scrutiny in Xinhe. The plan also sought to strengthen the role of the local People's Congress, vesting it with real power in relation to the government. (Note: According to Zhou and other Chinese academics with whom Poloff has met, the legislatures, or People's Congresses, are not considered part of the government in the Chinese political system. End note.)

¶14. (C) On March 6, 2006, Xinhe Township held a minkenhui with 190 self-selected volunteer representatives. Participants were divided into three groups focused on industry, agriculture, and social development. The groups examined the township's detailed draft budget. Chen said any resident was welcome to attend and, at present, there were no restrictions on the number of volunteer representatives who could be involved. All government leaders and bureau heads, however, were required to attend and answer any questions the participants had.

¶15. (C) All suggestions and questions about the budget were recorded and then discussed at a Joint Conference (lianxi hui) attended by the government officials, relevant People's Congress committees, and the party's Economic Small Group. The Joint

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Conference decided which suggestions were reasonable and could be adopted, which were unreasonable, and which dealt with restricted issues and were off limits. Of the 50 suggestions put forward by the minkenhui, the Joint Conference adopted 20 recommendations into its draft, impacting 6 million RMB of the town's 98 million RMB budget.

¶16. (C) On March 7, the Joint Conference presented its draft budget based on the minkenhui suggestions to the entire body of the People's Congress--98 members--plus any interested observers from among the public (Note: There were 110 observers who attended in 2006. End note.). After the initial meeting, the People's Congress divided into five groups, based on the representatives' geographical districts, each with a group leader who recorded the group's ideas about the draft budget. The People's Congress then reconvened to listen to the group leaders' presentations. Observers were not allowed to speak at the meetings, but were able to lobby the representatives on the margins. If the representatives liked their suggestions, then they could bring them before the body or the committee. The People's Congress then sent a draft revised budget back to the government who examined it in a second Joint Conference.

¶17. (C) After discussing the People's Congress recommendations, the Joint Conference redrafted the budget and sent it back to the People's Congress on March 8 where the entire body listened to the proposed budget and offered suggestions before breaking again into the five district groups. The People's Congress then reconvened to approve the draft. At this point, if they were still unable to agree on the budget, People's Congress representatives could introduce amendments for consideration. Chen said that if five representatives put forward a recommendation, it was voted on by the People's Congress. If more than half of the members voted for it, the amendment was adopted. After the People's Congress approved the budget and

any amendments, it was then binding on the government. In 2006, representatives successfully introduced eight amendments, of which two were ultimately adopted.

¶18. (C) At the May workshop, Xinhe People's Congress Deputy Director Lou Jianrong added that the People's Congress also established a permanent "financial inspection team" that had the right to inquire about, inspect, and hear the government financial report and to participate in the government budgeting for the next quarter. At the same meeting, Xinhe Deputy Mayor Jin Liangmin noted that the reforms had limited the power of government and party leaders to determine fund allocation, while strengthening the local People's Congress. Jin said that this, in turn, had raised the credibility of the government in the eyes of the people.

¶19. (C) Chen stressed that this type of budget oversight by the legislature was highly unusual in China in that a People's Congress was able to exercise its constitutional veto authority over the government. Although, Chen said, the People's Congress was not a truly representative elected body, it was a step in the right direction of introducing independent oversight of governmental decision-making. Moreover, the minkenhui and observer/lobbyist elements provided a way for the people's voices to be heard throughout the process.

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Top Leaders Mixed on Support

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¶10. (C) Chen said that it was easier for a small municipality like Wenling to implement political reform than a large city like Shanghai because it attracted less attention. This meant that reforms could be fully established and produce positive results that were difficult to argue with before someone up the chain had the chance to veto it. He noted that the type of budget reforms he was implementing in Wenling that empowered the People's Congresses were in line with many National People's Congress (NPC) representatives' desires to increase their overall authority and oversight. In fact, Zhou had passed Chen a draft budget reform law for Shanghai that looked strikingly similar to the Xinhe model. Chen stressed that he was not engaging in anything illegal, but that he was, in fact, trying to turn the People's Congresses into what they were described as on paper.

¶11. (C) Chen said that the Central Party School was supportive of Wenling's initiatives and that (CPS) Vice President Li Junru was focused on the experiments. During a March or April meeting

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at People's University in Beijing, Li said that Wenling was China's most successful, most worthy of study and implementation, and best model of consultative democracy in China. Chen argued that Li wanted to move beyond participatory democracy and harbored a secret admiration for U.S.-style democracy (Ref B). Given his position as a high-level party leader, however, Li was unable to voice his opinions. Li could, however, give tacit support. Chen noted, for instance, that he was able to publish an article in the CPS "Xuexi Shibao" on Xinhe's reforms.

¶12. (C) Li Fan argued during a June 22 meeting with Poloff that the experiments going on in Wenling showed that Zhejiang Party Secretary and princeling Xi Jinping was not as conservative as

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some paint him, but was actually reform minded. Li--himself also a princeling--speculated that Xi could be elevated to the Politburo Standing Committee in 2007. Chen, however, was less convinced of Xi's reform orientation. He said that he had conducted his experiments without informing the provincial authorities. By the time word reached Xi, the experiments had already proven successful and Xi had little alternative but to put his stamp of approval on them.

¶13. (C) Li Fan also noted that there were a number of budget reforms happening around the country, although not everyone was happy with them. For instance, Guangdong Party Secretary and Politburo member Zhang Dejiang was upbraided by NPC Chairman Wu Bangguo for allowing unspecified budget reform experimentation to take place in Guangdong. Ironically, according to Li, Wu was not interested in reforms that strengthened the legislative branch at the expense of the government or party. Tangentially, Li explained, this showed that Jiang Zemin's protigis were not a cohesive group. According to Li, Zhang had been promoted by Jiang but was not necessarily Jiang's man, nor did he always mesh well with members of the "Shanghai Clique."

¶14. (C) Bio comment: According to a press report, Li's father was an advisor to former Premier Zhou Enlai. Li, born in 1949, attended school with Chairman Mao Zedong's daughter and during famine years enjoyed out-of-season oranges that his father would bring home from official meetings. Li also helped form a princeling Red Guard unit during the Cultural Revolution (1966-76) with fellow princeling and later Tiananmen democracy activist Wei Jingsheng. According to Zhou, who works closely with Li, Li has avoided arrest and excessive political persecution while actively promoting political reform because his father is still alive. She also confirmed Li's participation with Wei in the Red Guard unit. Zhou worried that Li might not be able to continue his work much longer since his father was very ill and would likely die soon. End comment.

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Luoheng: Towards Legislative Democracy With Fits and Starts  
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¶15. (C) Chen said that he was using the successes of the Songmen and Zeguo experiments in "consultative democracy" to spur and support "parliamentary democracy," or the use of an elected legislature to provide a check on the government. However, both Chen and Zhou said that all of these reforms fell short of real "parliamentary democracy" since the legislative representatives in China had not been chosen by a democratic process. At the May conference, Li Fan argued that in order to truly reinvigorate the role of the People's Congress, elections needed to be "properly opened" so the delegates were truly representative of their constituencies. In the meantime, it was important to teach existing People's Congress representatives about regulations and procedures--what is clearly stipulated in the law but not practiced--so that they could be more effective organizations and better assert their influence. Zhou said that she, Li, and Zhongshan University Professor Ma Jun had been involved in training the Xinhe legislature and others on their constitutional authorities.

¶16. (C) Chen explained that he was currently working with Zhou and Li on electoral reforms in the nearby town of Luoheng, which is also under Wenling. Zhou said that Chen had worked out with the Luoheng Party Secretary that the party would control the selection of no more than half of the candidates on the ballot, as compared to the current practice of the party filling virtually the whole slate. As part of this, Chen was also pushing the use of preliminary elections to narrow down the numbers of preliminary candidates, as opposed to relying on party-controlled "voter small groups" (Ref C). (Note: Chinese

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law dictates that there be 33 percent to 50 percent more candidates than the number of slots being voted on. End note.) Moreover, Chen had garnered the Luoheng Party Secretary's consent to allow for campaigning in the form of open, non-scripted debates this election. Eventually, Zhou said, Chen planned to push for allowing both party and non-party candidates access to television, newspaper, and other forms of propaganda traditionally open only to party candidates.

¶17. (C) Chen planned to combine election reforms with Xinhe-style budget reforms to achieve a true "parliamentary democracy." Zhou said that it would be possible under such a system to have truly competitive elections and a People's

Congress that was divorced from Party control overseeing the Party-appointed government. Chen said that, holding true to his modus operandi, he was not telling his superiors about his efforts until he had successfully implemented them. He stressed that such reforms were, in actuality, simply implementation of existing law and that his supervisors would have no legal basis to oppose him, even if they found out. While in theory, these reforms were innocuous, in practice, such reforms would be unprecedented, according to Zhou. Both Zhou and Li had traveled to Luoheng to provide training to all interested candidates and the current People's Congress.

¶18. (C) In December, Zhou told Poloff that the Luoheng experiment had been put on hold. She explained that over the past few months, all of the township party secretaries in Wenling had been reshuffled in the run up to the People's Congress elections. The Luoheng People's Congress was still on board with the election reforms but the new party secretary thought the issue was too controversial and did not want to rock the boat so soon into his tenure. As an aside, Zhou noted that party leaders were often transferred prior to People's Congress elections as part of Beijing's effort to keep local party bosses from becoming too strong. Zhou said that Chen would try again in another five years when the elections rolled around. The new Luoheng party secretary was still willing to work on budget reform, however, which was seen as safer since it had already been approved by the Provincial government.

¶19. (C) Zhou assessed that despite these setbacks, reforms would continue to move forward in Wenling. She noted that the current reform experiments were too entrenched and popular with the people for new party bosses to try and roll back. Nor was there a good justification for them to do so. Moreover, Chen was popular with the Wenling party leaders. His efforts had garnered significant positive international attention and earned the city praise from all levels of the Chinese government. Ironically for Chen, but fortunately for Wenling and China, Chen's success had not earned him any promotions, since his bosses were anxious to keep him in place for the time being to continue his work.

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Eyes on Yunnan  
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¶20. (C) Zhou said that while electoral reforms had stalled in Xinhe, they were moving forward and on track in Yunnan's Honghe township, part of a minority-controlled district. Zhou said that she and Li had been working to train and, eventually, implement the same reforms there that they had been working on in Luoheng. She said that unlike Wenling, when she visited Honghe in September, party leaders were excited to move forward with these reforms when they held their elections next year. As a hedge against local leadership transfers, Zhou said they had been working with many of the neighboring areas and party officials to build a base of support for these programs that would hopefully be sufficient to overcome any hesitancy from a new incoming party secretary.

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Comment: Hints of Real Change  
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¶21. (C) In a country where political pageantry is paraded as democracy, and scholars and officials vehemently argue that the people neither want nor need real authority over the government, it is refreshing to find people of influence committed to real reform and genuine democratization. While Beijing is currently on board with the Wenling experiments, as Chen and others like him push the boundaries, Beijing's tolerance for political reform and willingness to share power--even at the local